

Interurban Transit Partnership



Single Audit Report
Years Ended September 30, 2005 and 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Interurban Transit Partnership	County Kent
Audit Date 9/30/05	Opinion Date 12/7/05	Date Accountant Report Submitted to State: 1/12/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) BDO Seidman, LLP			
Street Address 99 Monroe Avenue, NW, Suite 800	City Grand Rapids	State MI	ZIP 49503
Accountant Signature <i>Alicia A. Seidman, CPA</i>		Date <i>1/11/06</i>	

Interurban Transit Partnership

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Independent Auditors' Report

Members of the Board
Interurban Transit Partnership
Grand Rapids, Michigan

We have audited the accompanying financial statements of Interurban Transit Partnership (ITP) as of and for the years ended September 30, 2005 and 2004 (as of and for the years ended June 30, 2005 and 2004 for the Pension Trust Funds), which collectively comprise ITP's basic financial statements as listed in the table of contents. These financial statements are the responsibility of ITP's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Interurban Transit Partnership at September 30, 2005 and 2004 (June 30, 2005 and 2004 for the Pension Trust Funds), and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued a report dated December 7, 2005 on our consideration of ITP's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of ITP taken as a whole. The accompanying combining statements, supplemental schedules and additional information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements of ITP. Such information, except for the additional information marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

BDO Seidman, LLP

Grand Rapids, Michigan
December 7, 2005

Management's Discussion and Analysis

This section of the Interurban Transit Partnership's (ITP) annual financial report presents our discussion and analysis of ITP's financial performance during the fiscal year that ended September 30, 2005.

Financial Highlights

- Total eligible operating expenses (those expenses eligible for State operating assistance) grew by 18% from \$20.5 million in 2004 to \$24.2 million in 2005 due in large part to a significant expansion of services during the year, but also due in part to inflation in key areas such as fuel prices.
- Total net assets grew by \$6.7 million dollars from \$48.0 million to \$54.7 million during fiscal year 2005.

Overview of the Financial Statements

The financial section of this annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and the notes to the financial statements, and other supplementary information.

The financial statements provide both long-term and short-term information about ITP's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to public transit authorities on an accrual basis. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred and depreciation of assets is recognized in the Statements of Revenues, Expenses and Changes in Net Assets. All assets and liabilities associated with the operation of the Authority are included in the Statements of Net Assets.

The Statements of Net Assets report the net assets and how they have changed. Net assets, the difference between assets and liabilities, are one way to measure the financial health or position of ITP.

Financial Analysis of ITP

Net Assets

Total net assets at September 30, 2005 reached nearly \$55 million, a growth of 14.0% over September 30, 2004 (see Table A-1). Total assets increased 12.7% to \$58.8 million, and total liabilities decreased 3.0% to \$4.1 million.

Table A-1
Net Assets
(in thousands of dollars)

<i>Year ended September 30,</i>	2005	2004	Percentage Change
Current assets	\$ 13,388	\$ 13,074	2.4
Capital assets, net	45,402	39,105	16.1
Total assets	58,790	52,179	12.7
Current liabilities	4,057	4,181	(3.0)
Net assets:			
Invested in capital assets (net)	45,402	39,105	16.1
Restricted for STC project	440	440	-
Unrestricted	8,891	8,453	5.2
Total Net Assets	\$ 54,733	\$ 47,998	14.0

ITP's surface transportation center (Rapid Central Station) was built on land previously leased. During the 2005 fiscal year, ITP purchased this land for \$2.5 million using federal and State capital grants. Other significant capital acquisitions during the year included 22 new buses and 15 new paratransit vehicles for a total of almost \$7 million. These vehicles were also purchased using federal and State grant assistance.

Changes in Net Assets

The increase in net assets at September 30, 2005 of \$6.7 million increased total net assets to \$54.7 million (see Table A-2).

Table A-2
Change in Net Assets
(in thousands of dollars)

<i>Year ended September 30,</i>	2005	2004	Percentage Change
Operating revenues:			
Passenger fares	\$ 3,567	\$ 3,589	(0.1)
Advertising	36	43	(16.3)
Total operating revenues	3,603	3,632	(0.1)
Operating expenses:			
Salaries and benefits	14,026	12,306	14.0
Other operating expenses	13,065	11,581	12.8
Depreciation	4,625	3,893	18.8
Total operating expenses	31,716	27,780	14.2
Operating loss	(28,113)	(24,148)	16.4
Nonoperating revenues:			
Property taxes	9,296	9,003	3.3
Other local	3,770	3,111	21.2
State and federal	10,860	10,154	7.0
Total nonoperating revenues	23,926	22,268	7.4
Loss before capital contributions	(4,187)	(1,880)	(122.7)
Capital contributions	10,922	17,271	(36.8)
Change in net assets	6,735	15,391	(56.2)
Net Assets, beginning of year	47,998	32,607	47.2
Net Assets, end of year	\$ 54,733	\$ 47,998	14.0

Despite significant ridership gains during the year, operating revenues were flat in 2005 as compared to 2004. Most ridership gains were attributable to non-fare generating rides such as service to Grand Valley State University, the Downtown Area Shuttle (DASH) and linehaul transfers.

Total operating expenses increased by 14.2%. Three significant factors drive this increase in operating expenses. First, significant service expansion during 2005 created an increase in total labor costs of 14.0% and greater consumption of materials and supplies. Second, the opening of Rapid Central Station in June of 2004 boosted ITP's security needs as well as increased utility demand. Last, the large growth in capital assets over the last few years has increased depreciation expense annually, including an 18.8% increase in 2005.

Nonoperating revenues grew by 7.4% during 2005 largely due to the expansion of services sold to community partners such as Grand Valley State University and the City of Grand Rapids' DASH as well as an increase in State Operating Assistance. Although the rate at which the State funded ITP fell to 32.43% (of eligible expenses) in 2005 from 35.2%, State operating revenues grew by 18.8% as a result of a \$3.7 million increase in eligible expenses. Also contributing to the increase in State operating revenues is the re-allocation of statewide transit funds arising from the State's closeout of fiscal years 2000 and 2001 which resulted in an additional \$250,000 in revenue to ITP.

Capital contributions declined by 36.8% in 2005. Although significant capital outlays were made, such as the purchase of 22 buses, they were significantly less than the amount needed in 2004 to complete Rapid Central Station.

Table A-3
Operating Expenses Before Depreciation
(in thousands of dollars)

<i>Year ended September 30,</i>	2005	2004	Percentage Change
Labor	\$ 8,912	\$ 7,954	12.0
Fringe benefits	5,114	4,352	17.5
Services	2,202	1,832	20.2
Materials and supplies	2,718	1,903	42.8
Utilities	428	308	39.0
Casualty and liability	807	691	16.8
Taxes	28	-	(100.0)
Purchased transportation	6,354	6,073	4.6
Miscellaneous	467	362	29.0
Leases and rental	87	384	(77.3)

Labor and fringe benefits combined rose by 14.0% primarily due to the expansion in services provided during 2005.

With the 2004 opening of Rapid Central Station, a greater need for security and janitorial services arose contributing to most of the 20.2% increase in services during 2005.

Materials and supplies increased 42.8% largely due to the 2005 expansion in service but also to the significant rise in fuel prices during the year.

Utilities expense rose by 39.0% during the year due to lighting, heating and cooling needs of Rapid Central Station which completed its first full year of operating during 2005.

PL/PD coverage is provided by the Michigan Transit Pool (Pool), which is an association of transit systems throughout the State of Michigan. Annually the Pool revalues its open claims from past years and either issues refunds or billings to its members. During 2005 the Pool issued ITP a retrospective billing for \$248,000 which was largely responsible for 16.8% increase in this expense item.

Leases and rentals fell by 77.3% as a result of ITP's purchase of property for which it was previously leasing.

Capital Assets

As of September 30, 2005, ITP had invested approximately \$72.3 million in capital assets, including land, land improvements, buildings, revenue equipment, machinery and equipment, radio equipment and construction in progress. Net of accumulated depreciation, capital assets at September 30, 2005 totaled approximately \$45.4 million (see Table A-4). This amount represents a net increase (including additions and disposals, net of depreciation) of approximately \$6.3 million or 16.1% over September 30, 2004.

Table A-4
Capital Assets, net of depreciation
(in thousands of dollars)

<i>Year ended September 30,</i>	2005	2004	Percentage Change
Land	\$ 5,149	\$ 2,593	98.6
Land improvements	190	111	72.1
Buildings	21,725	22,258	(2.4)
Revenue equipment	13,617	9,179	48.3
Machinery and equipment	4,721	4,964	(4.9)
Total Net Capital Assets	\$ 45,402	\$ 39,105	16.1

Land improvements increased by 72.1% due to the construction of a security fence around a substantial portion of Rapid Central Station.

Revenue equipment grew by 48.3% as a result of the purchase of 22 new buses and 15 new paratransit vehicles.

For additional information on capital assets see Note 3 to the financial statements.

Economic Factors and Next Year's Budget

A significant source of ITP's operating revenues are provided by the State of Michigan. These revenues are based upon total eligible operating expenses, as defined by the Michigan Department of Transportation, and represent a percentage of these eligible expenses.

As the State of Michigan has faced increased difficulty in balancing the State's budget, the funds made available to public transit have remained fairly flat. This, combined with inflation and statewide service expansion, has driven the percentage of reimbursement to transit systems for eligible operating expenses from a high of 50% just a few years ago down to 32.4% for fiscal year 2005. This reduction has created challenges to balance our budget, forcing ITP to contemplate using federal and State capital dollars for eligible (under Federal Transit Authority regulations) operating expenditures.

Going into the 2006 fiscal year it appears that the balance between statewide transit expansion and flat State funding has stabilized and as a result the rate of State operating assistance for the 2006 fiscal year has risen to 33.1%.

Another significant financial issue for ITP is the recent rapid rise and wildly fluctuating price of fuel.

For the general election of November 2003, ITP sought a .2 mill increase, to .95 mills, in its dedicated transit millage to offset lost State revenues as well as provide additional transportation to the community it serves. The result was a 2 to 1 yes vote. Expansion services were begun in January of 2005.

Basic Financial Statements

Interurban Transit Partnership

Statements of Net Assets Enterprise Fund

September 30,	2005	2004
Assets		
Current Assets		
Cash, including temporary investments of \$7,779,746 and \$5,106,375 (Note 2)	\$ 8,681,663	\$ 7,899,863
Property taxes receivable, net	664,600	1,376,667
Due from federal government	1,562,026	1,888,278
Due from State of Michigan	1,086,421	850,507
Billed receivables	955,525	586,296
Materials and supplies inventories	331,352	346,130
Prepaid expenses and deposits	106,560	126,952
Total Current Assets	13,388,147	13,074,693
Capital Assets (Note 3)		
Land and improvements	5,926,037	3,267,306
Buildings	26,671,284	26,360,778
Revenue vehicles	29,728,805	23,408,288
Machinery and equipment	9,767,329	9,444,275
Radio equipment	198,038	193,878
	72,291,493	62,674,525
Less accumulated depreciation	26,889,461	23,569,838
Net Capital Assets	45,402,032	39,104,687
Total Assets	58,790,179	52,179,380

Interurban Transit Partnership

Statements of Net Assets Enterprise Fund

<i>September 30,</i>	<i>2005</i>	<i>2004</i>
Liabilities		
Current Liabilities		
Accounts payable	\$ 2,059,454	\$ 1,853,159
Employee compensation and related withholdings	1,327,770	1,113,581
Unredeemed fares	33,479	55,088
Deferred revenues	123,284	194,796
Due to State of Michigan	512,666	964,652
Total Current Liabilities	4,056,653	4,181,276
Net Assets		
Invested in capital assets, net of related debt	45,402,032	39,104,687
Restricted	440,492	440,492
Unrestricted	8,891,002	8,452,925
Total Net Assets	\$ 54,733,526	\$ 47,998,104

See accompanying notes to financial statements.

Interurban Transit Partnership

Statements of Revenues, Expenses and Changes in Net Assets Enterprise Fund

<i>Year ended September 30,</i>	2005	2004
Operating Revenues		
Passenger fares	\$ 3,566,574	\$ 3,588,717
Advertising	36,418	43,187
Total operating revenues	3,602,992	3,631,904
Operating Expenses		
Salaries and fringe benefits	14,025,677	12,306,197
Supplies and other operating expenses	13,065,067	11,581,008
Depreciation	4,624,768	3,892,581
Total operating expenses	31,715,512	27,779,786
Operating loss	(28,112,520)	(24,147,882)
Nonoperating Revenues		
State and federal	10,859,875	10,153,642
Property taxes	9,296,399	9,003,096
Other local	3,769,556	3,111,481
Total nonoperating revenues	23,925,830	22,268,219
Loss before capital contributions	(4,186,690)	(1,879,663)
Capital contributions	10,922,112	17,270,548
Change in net assets	6,735,422	15,390,885
Net Assets, beginning of year	47,998,104	32,607,219
Net Assets, end of year	\$ 54,733,526	\$ 47,998,104

See accompanying notes to financial statements.

Interurban Transit Partnership

Statements of Cash Flows Enterprise Fund

<i>Year ended September 30,</i>	2005	2004
Cash for Operating Activities		
Receipts from customers	\$ 3,581,383	\$ 3,643,918
Payments to suppliers	(16,476,956)	(16,164,265)
Payments to employees	(10,289,118)	(8,903,152)
Net cash for operating activities	(23,184,691)	(21,423,499)
Cash From Noncapital Financing Activities		
Federal grants received	1,484,284	2,254,352
State grants received	8,559,324	7,773,109
Local government assistance received	3,283,782	3,417,735
Property taxes	10,036,092	8,346,692
Net cash from noncapital financing activities	23,363,482	21,791,888
Cash From Capital and Related Financing Activities		
Federal contributed capital	9,306,759	14,521,244
State contributed capital	1,924,647	3,677,122
Local contributed capital	4,000	1,019,000
Purchase of capital assets	(10,922,112)	(17,270,548)
Proceeds from sale of fixed assets	133,175	45,914
Net cash from capital and related financing activities	446,469	1,992,732
Cash From Investing Activity		
Interest received on investments	156,540	72,183
Net Increase in Cash	781,800	2,433,304
Cash, beginning of year	7,899,863	5,466,559
Cash, end of year	\$ 8,681,663	\$ 7,899,863

Interurban Transit Partnership

Statements of Cash Flows Enterprise Fund

<i>Year ended September 30,</i>	2005	2004
Reconciliation of Operating Loss to Net Cash for Operating Activities		
Operating loss	\$ (28,112,520)	\$ (24,147,882)
Adjustments to reconcile operating loss to net cash for operating activities:		
Depreciation	4,624,768	3,892,581
Other income	23,285	22,214
Changes in assets and liabilities:		
Decrease (increase) in billed receivables	369,229	(559,740)
Decrease (increase) in inventories	14,778	(106,152)
Decrease (increase) in prepaid expenses and deposits	20,392	(50,967)
Increase (decrease) in accounts payable	206,295	(614,994)
Increase in accrued payroll	214,189	32,505
Increase (decrease) in unredeemed fares	(21,609)	12,014
Increase (decrease) in other liabilities	(523,498)	96,922
Net Cash for Operating Activities	\$ (23,184,691)	\$ (21,423,499)

See accompanying notes to financial statements.

Interurban Transit Partnership

Statements of Fiduciary Net Assets

<i>June 30,</i>	Pension Trust Funds	
	2005	2004
Assets		
Cash and short-term investments (Note 2)	\$ 452,741	\$ 257,396
Interest and dividends receivable	11,409	9,283
Investments, at fair value (Note 2)		
U.S. Treasury obligations	498,558	483,636
U.S. agency obligations	413,350	303,066
Mutual funds	3,935,339	3,675,956
Total investments	4,847,247	4,462,658
Net Assets Held in Trust for Pension Benefits	\$ 5,311,397	\$ 4,729,337

See accompanying notes to financial statements.

Interurban Transit Partnership

Statements of Changes in Fiduciary Net Assets

	Pension Trust Funds	
<i>Year ended June 30,</i>	2005	2004
Additions		
Employer contributions	\$ 743,135	\$ 589,427
Investment income:		
Net appreciation	209,497	434,415
Interest	48,293	38,672
Dividends	114,503	193,779
Other	899	401
Total investment income	373,192	667,267
Total additions	1,116,327	1,256,694
Deductions		
Benefits	498,596	831,729
Administrative expense	35,671	39,342
Total deductions	534,267	871,071
Change in net assets	582,060	385,623
Net Assets Held in Trust for Pension Benefits, beginning of year	4,729,337	4,343,714
Net Assets Held in Trust for Pension Benefits, end of year	\$ 5,311,397	\$ 4,729,337

See accompanying notes to financial statements.

Interurban Transit Partnership

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Reporting Entity

The Interurban Transit Partnership (ITP) was created in 2000 pursuant to the provisions of the Public Transit Authority Act of 1986, as amended. The six member municipalities of East Grand Rapids, Grand Rapids, Grandville, Kentwood, Walker and Wyoming each levy .95 mills to fund operations. ITP replaced the Grand Rapids Area Transit Authority.

ITP provides public passenger transportation to the general public in the greater Grand Rapids area. These financial statements include the Enterprise Fund and the Pension Trust Funds of ITP.

Measurement Focus and Basis of Accounting

The Enterprise Fund and Pension Trust Funds' financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Grants are recognized as revenue as soon as all eligibility requirements have been met.

The Enterprise Fund follows applicable accounting and financial reporting standards of the Financial Accounting Standards Board issued through November 30, 1989, unless these pronouncements conflict with Governmental Accounting Standards Board pronouncements.

Cash and Cash Equivalents

ITP considers cash on hand, demand deposits and short-term investments in Kent County's investment pool and governmental money market funds with local financial institutions with maturities of three months or less when purchased to be cash for the statements of cash flows.

Materials and Supplies Inventories

Materials and supplies inventories are stated at the lower of average cost or market.

Interurban Transit Partnership

Notes to Financial Statements

Investments

Investments are recorded at fair value.

Capital Assets

Property, building and equipment are recorded at cost. Depreciation is computed on the straight-line method based on the estimated useful lives of the related assets. Assets having a useful life in excess of 3 years and whose costs exceed \$1,000 are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Contributions of funds from federal, state or local sources for the purpose of purchasing property, plant and equipment are recorded as contributions when received.

Estimated useful lives of the related assets by asset category are as follows:

	Years
Land improvements	10-30
Buildings	20-40
Revenue vehicles	3-12
Machinery and equipment	3-10
Radio equipment	3-10

Deferred Revenues

Deferred revenues arise when resources are received by ITP before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when revenue recognition criteria are met, or when ITP has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheets and revenue is recognized.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through legislation or

Interurban Transit Partnership

Notes to Financial Statements

external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Compensated Absences

ITP employees are granted vacation leave in varying amounts based on length of service. Operators and maintenance employees may not accumulate vacation leave, but administrative employees may carry over unused vacation time. Upon termination, employees are paid for unused vacation at their current rates.

Sick leave is accumulated at the rate of 12 days per year for full-time administrative employees. There is no limit to the amount of unused sick leave an employee may accumulate. An employee retiring or resigning with age plus years of service equal to or exceeding 70 will receive 100% of accumulated sick leave at current base pay rate. Employees with age plus service less than 70 will receive 50% of total hours at current base pay rate. Compensated absences are recorded as an expense and liability in the Enterprise Fund.

Property Taxes

Property taxes are levied as an enforceable lien on property as of December 1. ITP's taxes are billed on July 1 and are due without penalty on July 31 for the City of Grand Rapids and September 14 for all others. Real property taxes not collected as of March 1 are turned over to Kent County for collection. The County then advances ITP 100% of the delinquent real property taxes. Collection of the delinquent personal property taxes remains the responsibility of the local communities.

Property taxes are recognized as revenue when levied, with proper allowances made for estimated uncollectible amounts.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Interurban Transit Partnership

Notes to Financial Statements

2. Cash and Investments

Deposits

State statutes require that certificates of deposit, savings accounts, deposit accounts and depository receipts are made with banks doing and having a place of business in the State of Michigan that are also members of a federal or national insurance corporation.

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, ITP's deposits might not be recovered. ITP minimizes custodial credit risk by pre-qualifying financial institutions. At September 30, 2005, the bank balances were \$5,977,695, of which \$5,677,695 was uninsured and uncollateralized.

Investments

State statutes authorize ITP to invest in obligations and certain repurchase agreements of the U.S. Treasury and related governmental agencies, commercial paper rated prime at the time of purchase and maturing not more than 270 days from the date of purchase, banker's acceptances and certificates of deposit issued or created by any state or national bank insured with the applicable federal agency, investment pools authorized by the Surplus Funds Investment Pool Act and mutual funds composed entirely of the above investments.

At September 30, 2005, ITP's Enterprise Fund had the following investments:

<i>Investment</i>	<i>Maturity</i>	<i>Fair Value</i>
Kent County Investment Pool	Less than 1 year	\$2,347,060
Municipal Investment Fund	Less than 1 year	1,529,837
Total		\$3,876,897

Interurban Transit Partnership

Notes to Financial Statements

At September 30, 2005, ITP's Pension Trust Funds had the following investments:

Investment	Fair Value	Maturity Less Than 1 Year	Maturity 1-5 Years	Maturity 5-10 Years
Mutual funds	\$ 4,388,080	\$ 4,388,080	\$ -	\$ -
U.S. treasuries	498,559	111,513	122,698	264,348
U.S. agencies	413,350	197,041	216,309	-
Total	\$ 5,299,989	\$ 4,696,634	\$ 339,007	\$ 264,348

Interest Rate Risk

ITP minimizes interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and investing operating funds primarily in shorter-term investments.

Custodial Credit Risk Related to Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, ITP will not be able to recover the value of its investments that are in the possession of an outside party. ITP minimizes custodial credit risk by limiting investments and pre-qualifying financial institutions. ITP had no investments subject to custodial credit risk at September 30, 2005.

Credit Risk

Credit Risk is the risk that an issuer or other counter-party to an investment will not fulfill its obligations. The Authority's policy to mitigate such risk is by limiting investment choices to that of the highest ratings and direct obligations of the United States or those which are guaranteed by the United States. At September 30, 2005, the Authority's investments had the following credit ratings:

Interurban Transit Partnership

Notes to Financial Statements

Investment Type	Rating	Credit Exposure as a Percent of Total Investments
Enterprise Fund		
Kent County Investment Pool	Not rated	60.5%
Municipal Investment Fund	Standard & Poor's AAA	39.5
Pension Trust Funds		
Money market funds	Unrated	2.3
Money market funds	Standard & Poor's AA+	6.2
Bond mutual funds	Moody's Aa2	2.2
Equity funds	Not rated	72.1
Government agencies	Standard & Poor's AAA	7.8

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of ITP's investment in a single issuer. Although ITP places no limit on the amount that may be invested in any one issuer, ITP minimizes concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimal. At September 30, 2005, ITP had investments in U.S. agencies of \$448,589 that exceeded 5% of the total investments.

Interurban Transit Partnership

Notes to Financial Statements

3. Capital Assets

Capital asset activity for the year ended September 30, 2005 is as follows:

	Balance October 1, 2004	Additions	Transfers/ Deletions	Balance September 30, 2005
Assets				
Capital assets not being depreciated:				
Land	\$ 2,592,975	\$ 2,555,547	\$ -	\$ 5,148,522
Capital assets being depreciated:				
Land improvements	674,331	103,184	-	777,515
Buildings and improvements	26,360,778	312,265	1,759	26,671,284
Revenue vehicles	23,408,288	6,960,583	640,066	29,728,805
Machinery and equipment	9,638,153	990,534	663,320	9,965,367
Total assets	62,674,525	10,922,113	1,305,145	72,291,493
Accumulated depreciation				
Land improvements	563,888	23,477	-	587,365
Buildings and improvements	4,103,116	844,475	1,759	4,945,832
Revenue vehicles	14,229,066	2,523,418	640,066	16,112,418
Machinery and equipment	4,673,768	1,233,398	663,320	5,243,846
Total accumulated depreciation	23,569,838	4,624,768	1,305,145	26,889,461
Net Capital Assets	\$ 39,104,687	\$ 6,297,345	\$ -	\$ 45,402,032

4. Pension and Retirement Plans

Defined Benefit - Administrative Plan

Plan Description

ITP has a non-contributory defined benefit pension plan for its administrative employees. Administrative employees are eligible to participate when they have attained 21 years of age and completed one full year of service. One full year of service is defined as at least 1,000 hours of service in the 12 consecutive month period beginning on the employee's hire date. The plan provides for vesting based on years of credited service, ranging from

Interurban Transit Partnership

Notes to Financial Statements

20% at three years to 100% at five or more years. The pension benefit, payable monthly for life to the retired employee, equals 50% of the employee's average monthly compensation, adjusted for the employee's years of credited service. Full benefits are received if the employee retires at age 65 and is fully vested. This plan is now closed to new participants.

The plan issues a separate financial report which may be obtained by contacting ITP.

As of June 30, 2005, the plan's membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	32
Current active members	20
Total	52

Significant Accounting Policies

Basis of Accounting

The financial statements of the Administrative Plan have been prepared on the accrual basis. The employer contributions are recognized when due, and a formal commitment to provide the contribution has been made. Benefits are recognized when due and payable, according to the terms of the plan.

Method Used to Value Investments

Investments are reported at fair value.

Contributions and Reserves

The Interurban Transit Partnership Pension Plan was established and is being funded under the authority of ITP.

Interurban Transit Partnership

Notes to Financial Statements

The plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due.

The plan has no legally required reserves.

Concentrations

No investments constituted 5% or more of plan assets.

Annual Pension Cost and Net Pension Obligation

ITP's annual pension cost was \$226,908 and \$250,514, and the contribution totaled \$484,825 and \$347,226 for the years ended September 30, 2005 and 2004, respectively.

Three-Year Trend Information

<i>Year ended September 30,</i>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2003	\$269,896	85.9%	\$38,196
2004	250,514	138.6	-
2005	226,908	213.7	-

Interurban Transit Partnership

Notes to Financial Statements

Schedule of Funding Progress

<i>Actuarial Valuation Date</i>	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)
July 1, 2000	\$1,520,703	\$2,406,410	\$ 885,707	63.19%
July 1, 2001	1,758,786	2,661,034	902,248	66.09
July 1, 2002	1,718,491	3,003,002	1,284,511	57.23
July 1, 2003	1,754,115	3,323,381	1,569,266	52.78
July 1, 2004	1,689,566	3,136,794	1,447,228	53.86
July 1, 2005	1,949,924	3,251,433	1,301,509	59.97

The information presented in the three-year trend information and schedule of funding progress was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest valuation date follows:

Valuation date	July 1, 2005
Actuarial cost method	Entry age normal
Amortization method	Level percentage of compensation
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Actuarial assumptions:	
Retirement age	Age 65
Investment rate of return	8%
Mortality table:	
Pre-retirement	None
Post-retirement	1983 Group Annuity Mortality Table
Turnover rates	None
Salary scale	3%
Cost of living adjustments	None

Interurban Transit Partnership

Notes to Financial Statements

Defined Benefit - Non-Administrative Plan

Plan Description

ITP has a non-contributory defined benefit pension plan for its non-administrative employees (drivers and mechanics). Non-administrative employees are eligible to participate upon completion of 60 days continuous service. Accumulated benefits attributable to ITP contributions are fully vested after five years of service. Termination of employment prior to completion of five years of service results in the forfeiture of the accumulated benefits attributable to ITP contributions. The pension benefit, payable monthly for life to the retired employee, equals a minimum of \$230.45, increased by a function of the employee's years of credited service or \$33 per month per year of service, whichever is greater.

The plan issues a separate financial report which may be obtained by contacting ITP.

As of June 30, 2005, the Plan's membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	86
Transferred to non-union	11
Active plan members	178
<hr/>	
Total	275

Significant Accounting Policies

Basis of Accounting

The financial statements of the Non-Administrative Plan have been prepared on the accrual basis. The employer contributions are recognized when due, and a formal commitment to provide the contribution has been made. Benefits are recognized when due and payable, according to the terms of the plan.

Interurban Transit Partnership

Notes to Financial Statements

Method Used to Value Investments

Investments are reported at fair value.

Contributions and Reserves

ITP's Amalgamated Transit Union Pension Plan was established and is being funded under the authority of ITP and under agreements with the union representing employees covered by the plan.

The plan's funding policy is that the employer will contribute to the plan based on the current negotiated rate of \$.65 for each hour of service completed during the preceding month. ITP is required by the terms of the plan to contribute based on the negotiated rate.

The plan has no legally required reserves.

Concentrations

No investments constituted 5% or more of plan assets.

Annual Pension Cost and Net Pension Obligation

ITP's annual pension cost and net pension obligation to the plan were as follows:

<i>Year ended June 30,</i>	2005
Annual required contribution	\$ 232,828
Interest on net pension obligation	388
Adjustment to annual required contribution	(407)
Annual pension cost	232,809
Contributions made	258,310
Decrease in net pension obligation	(4,851)
Net pension obligation, beginning of year	4,851
Net Pension Obligation, end of year	\$ -

Interurban Transit Partnership

Notes to Financial Statements

Three-Year Trend Information

<i>Year ended September 30,</i>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2003	\$222,958	105.7%	\$ 25,074
2004	221,978	109.1	4,851
2005	232,809	111.0	-

Schedule of Funding Progress

<i>Actuarial Valuation Date</i>	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)
July 1, 2000	\$2,376,419	\$2,667,945	\$291,526	89.07%
July 1, 2001	2,596,351	3,052,022	455,671	85.07
July 1, 2002	2,820,512	3,386,771	566,259	83.30
July 1, 2003	3,015,488	3,831,281	815,793	78.71
July 1, 2004	3,250,217	4,092,555	842,338	79.42
July 1, 2005	3,536,535	4,439,438	902,903	79.66

The information presented in the three-year trend information and schedule of funding progress was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest valuation date follows:

Valuation date	July 1, 2005
Actuarial cost method	Entry age normal
Amortization method	Level dollar, open
Remaining amortization period	40 years

Interurban Transit Partnership

Notes to Financial Statements

Asset valuation method	Average of expected assets and market value of assets, but not less than 80%, nor more than 120% of market value
Actuarial assumptions:	
Retirement age	Age 65
Investment rate of return	8%
Mortality table	1983 GAM (sex distinct) set forward three years
Turnover rates	Crocker-Sarason-Straight T-5
Cost-of-living adjustments	None

Defined Contribution - Administrative Plan

ITP has a non-contributory defined contribution benefit plan for its administrative employees. The plan was established July 1, 2000. Administrative employees are eligible to participate on the first day of the month following completion of six months of service, provided that the employee has at least 500 hours of service. The plan provides 100% vesting after five years of service. The contribution is made monthly at 7.5% of compensation paid during the month. ITP made contributions of \$102,906 and \$94,894 for the plan years ending June 30, 2005 and 2004, respectively.

5. Risk Management

ITP is exposed to various risks of loss related to torts, theft of and damage to assets, errors and omissions, injuries to employees and natural disasters. ITP carries commercial insurance for most risks of loss, including employee life, health and accident insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Interurban Transit Partnership

Notes to Financial Statements

ITP participates in a public entity risk pool for property and liability coverage. ITP pays an annual premium to the pool, which is adjusted retroactively to reflect the actual cost. Each member is responsible for all losses falling within its selected retention level, plus its share of pool losses and administrative expenses, less its share of investment income. The agreement for formation of the Michigan Transit Pool provides that the pool will be self-sustaining through member premiums and will provide property and liability coverage to its members for the first \$2,000,000 per occurrence. The Pool has purchased excess insurance for an additional \$2,000,000 per occurrence.

The Michigan Transit Pool has published its own financial report for the year ended November 30, 2005, which can be obtained from the Michigan Transit Pool.

ITP carries catastrophic insurance to cover direct damage to property.

6. Description of Grant Funding

The following is a description of ITP's major grant funding:

Operations:

ITP's general operations are funded as follows:

The Michigan Department of Transportation (MDOT) authorized funding for fiscal 2005 and 2004 of up to 50% of eligible expenses, based upon actual costs and the appropriated funds available. Maximum operating assistance from MDOT totaled \$12,149,996 and \$10,226,004 in 2005 and 2004, respectively. Actual operating assistance accrued based on MDOT's stated funding rate of 32.43% and 35.20% totaled \$7,879,863 and \$7,226,276 in 2005 and 2004, respectively.

Interurban Transit Partnership

Notes to Financial Statements

Capital Acquisitions:

Funds used to purchase property, buildings and equipment were advanced to ITP pursuant to grants provided by agencies of the state and federal governments. Funding is generally provided by the Federal Transit Authority (FTA) (80%) and by the MDOT. Pursuant to the terms of those grants and applicable state and federal law, ITP is required to remit to the state and federal governments substantially all of the amounts it may receive as a result of the sale or other disposal of the property which has been purchased with monies provided by state and federal grants.

Combining Statements and Supplemental Schedules

Interurban Transit Partnership

Combining Statement of Plan Net Assets Pension Trust Funds

<i>June 30, 2005</i>	Administrative Plan	Non- Administrative Plan	Total
Assets			
Cash and short-term investments	\$ 369,398	\$ 83,343	\$ 452,741
Interest and dividends receivable	1,320	10,089	11,409
Investments, at fair value			
U.S. government obligations	-	911,908	911,908
Mutual funds	1,579,206	2,356,133	3,935,339
Total investments	1,579,206	3,268,041	4,847,247
Net Assets Held in Trust for Pension Benefits	\$1,949,924	\$ 3,361,473	\$ 5,311,397

Interurban Transit Partnership

Combining Statement of Changes in Plan Net Assets Pension Trust Funds

<i>Year ended June 30, 2005</i>	Administrative Plan	Non- Administrative Plan	Total
Additions			
Employer contributions	\$ 484,825	\$ 258,310	\$ 743,135
Investment income:			
Net appreciation	59,832	149,665	209,497
Interest	9,136	39,157	48,293
Dividends	49,162	65,341	114,503
Other	899	-	899
Total investment income	119,029	254,163	373,192
Total additions	603,854	512,473	1,116,327
Deductions			
Benefits	327,157	171,439	498,596
Administrative expense	16,339	19,332	35,671
Total deductions	343,496	190,771	534,267
Change in net assets	260,358	321,702	582,060
Net Assets Held in Trust for Pension Benefits, beginning of year	1,689,566	3,039,771	4,729,337
Net Assets Held in Trust for Pension Benefits, end of year	\$ 1,949,924	\$ 3,361,473	\$ 5,311,397

<i>Year ended September 30, 2005</i>	General	
	Operations	Maintenance
Labor		
Operators' salaries and wages	\$ 5,597,043	\$ -
Other salaries and wages	716,111	1,268,489
Dispatchers' salaries and wages	175,911	-
Total labor	6,489,065	1,268,489
Fringe Benefits	3,723,981	727,968
Services	277,692	684,231
Materials and Supplies Consumed		
Fuel and lubricants	1,542,851	-
Tires and tubes	-	6,958
Other materials and supplies	18,306	736,545
Total materials and supplies consumed	1,561,157	743,503
Utilities		
Other	-	-
Casualty and Liability Costs		
Premiums for public liability and property damage insurance	-	-
Other insurance	-	-
Total casualty and liability costs	-	-

Interurban Transit Partnership

Schedule of Operating Expenses by Function

<u>Operations</u>			
<u>Administration</u>	<u>Total</u>	<u>Grants</u>	<u>Total System</u>
\$ -	\$ 5,597,043	\$ -	\$ 5,597,043
1,001,388	2,985,988	152,657	3,138,645
-	175,911	-	175,911
1,001,388	8,758,942	152,657	8,911,599
574,682	5,026,631	87,447	5,114,078
236,795	1,198,718	1,003,589	2,202,307
-	1,542,851	-	1,542,851
-	6,958	78,602	85,560
102,669	857,520	232,383	1,089,903
102,669	2,407,329	310,985	2,718,314
428,402	428,402	-	428,402
704,775	704,775	-	704,775
102,311	102,311	-	102,311
807,086	807,086	-	807,086

<i>Year ended September 30, 2005</i>	<u>General</u>	
	Operations	Maintenance
Purchased Transportation	\$ 5,305,779	\$ -
Miscellaneous		
Travel and meetings	14,239	10,935
Advertising/promotion media	-	-
Other miscellaneous	803	19,207
Total miscellaneous	15,042	30,142
Leases and Rentals	-	-
Depreciation	-	-
Total Expenses	\$17,372,716	\$ 3,454,333

Interurban Transit Partnership

Schedule of Operating Expenses by Function

<u>Operations</u>			Total
<u>Administration</u>	<u>Total</u>	<u>Grants</u>	<u>System</u>
<u>\$ -</u>	<u>\$ 5,305,779</u>	<u>\$ 1,048,671</u>	<u>\$ 6,354,450</u>
50,984	76,158	18,068	94,226
196,213	196,213	-	196,213
79,159	99,169	77,709	176,878
326,356	371,540	95,777	467,317
-	-	87,191	87,191
4,624,768	4,624,768	-	4,624,768
<u>\$ 8,102,146</u>	<u>\$ 28,929,195</u>	<u>\$ 2,786,317</u>	<u>\$31,715,512</u>

Interurban Transit Partnership

Nonoperating Revenues - Local

Year ended September 30,

2005

Local Revenue

Property taxes	\$ 9,296,399
Byron Township	64,280
Gaines Township	50,410
Alpine Township	68,273
Cascade Township	114,101
Ada Township	5,761
DASH	638,333
Grand Valley State University	1,008,351
Community Mental Health	1,298,506
Other local grants	208,341

Total local revenue	12,752,955
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Other Income

Gain on sale of property	133,75
Interest income	156,540
Miscellaneous	23,285

Total other income	313,000
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Total Nonoperating Revenues – Local	\$ 13,065,955
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Interurban Transit Partnership

Nonoperating Revenues - State and Federal

<i>Year ended September 30,</i>	<i>2005</i>
State of Michigan Grants	
General operating assistance	\$ 8,152,749
Capital assistance	177,411
Planning and miscellaneous project assistance	149,957
Specialized services	391,905
Job Access and Reverse Commute	201,072
Rideshare	12,558
Total State of Michigan grants	9,085,652
Federal Government Grants	
Capital assistance	755,120
Planning and miscellaneous project assistance	796,633
Rideshare	21,398
Job Access and Reverse Commute	201,072
Total federal government grants	1,774,223
Total Nonoperating Revenues – State and Federal	\$ 10,859,875

			320
			MI-90-X-381
		001	02-0049-Z5
		General	FY 02
<i>Year ended September 30, 2005</i>	Total	Operations	Section 5307
Expenses			
Labor	\$ 8,911,599	\$ 8,758,942	\$ -
Fringe benefits	5,114,078	5,026,630	-
Services	2,202,307	1,198,717	15,087
Materials and supplies consumed	2,718,314	2,407,329	47,351
Utilities	428,402	428,402	-
Casualty and liability costs	807,086	807,086	-
Purchased transportation	6,354,450	5,305,779	-
Miscellaneous	467,317	371,542	10,604
Leases and rentals	87,191	-	-
Depreciation	4,624,768	4,624,768	-
Total Expenses	\$31,715,512	\$ 28,929,195	\$ 73,042

Interurban Transit Partnership

Schedule of Expenses by Grant

	340	360	380			
	MI-90-X-399	MI-90-X-399	MI-90-X-454			
330	02-0049-Z10	02-0049-Z10	02-0049-Z27	740	741	765
MI-03-X184				MI-37-X012	MI-37-X016	
02-0049-Z4	FY 03	FY 04	FY05	02-0049-Z16	02-0049-Z20	02-0049-Z17
Corridor Study	Section 5307	Section 5307	Section 5307	JARC	JARC	Project Zero
\$ -	\$ (805)	\$ 77,938	\$ 29,400	\$ 23,259	\$ -	\$ -
-	(1,095)	47,752	14,036	15,450	-	-
20,000	60,516	631,818	79,171	-	384	-
-	145,651	71,022	46,111	850	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	225,000	-	362,202	-	69,564
-	2,988	12,774	69,409	-	-	-
-	19,298	67,893	-	-	-	-
-	-	-	-	-	-	-
\$ 20,000	\$ 226,553	\$ 1,134,197	\$ 238,127	\$ 401,761	\$ 384	\$ 69,564

	767	781	790
	2005-0092	02-004-Z21	02-0049-Z23
<i>Year ended September 30, 2005</i>	Rideshare	Specialized Services	MPTA Conference
Expenses			
Labor	\$ 22,865	\$ -	\$ -
Fringe benefits	11,305	-	-
Services	-	-	35,223
Materials and supplies consumed	-	-	-
Utilities	-	-	-
Casualty and liability costs	-	-	-
Purchased transportation	-	391,905	-
Miscellaneous	-	-	-
Leases and rental	-	-	-
Depreciation	-	-	-
Total Expenses	\$ 34,170	\$ 391,905	\$ 35,223

Interurban Transit Partnership

Schedule of Expenses by Grant

825	831	846
98-0788	MI-03-0225	02-0049-Z9
Pull Out	Buses	FY 03
Lanes	Section 5309	Capital Project
<hr/>		
\$ -	\$ -	\$ -
-	-	-
150,000	2,625	8,766
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<hr/>		
\$ 150,000	\$ 2,625	\$ 8,766
<hr/>		

Interurban Transit Partnership

Section 5311 Expenses

<i>Year ended September 30,</i>	<i>2005</i>
Administration	\$ 407,842
Supplies and printing	9,079
Purchased transportation	2,792,851
Other expenses	2,054
	<hr/>
	\$ 3,211,826

<i>Year ended September 30, 2005</i>	Sources				Total
	Local	State of Michigan	Federal Government		
Name of Grant/Grantee Number/ Grantor Number					
FY 02 Capital Project 320 MI-90-X381 02-0049-Z5	\$ -	\$ 459,569	\$ 1,838,276	\$	2,297,845
FY 03 Capital Project 340 MI-90-X399 02-0049-Z10	4,000	390,149	1,576,594		1,970,743
FY04 Capital Project 360 MI-90-X430 02-0049-Z18	-	399,642	1,598,569		1,998,211
FY05 Capital Project 380 MI-90-X454 02-0049-Z27	-	246,618	1,115,247		1,361,865
Bus Purchase Section 5309 831 MI-03-0225	-	282,476	1,129,904		1,412,380
FY 04 Section 5309 954 MI-03-208 Z19	-	376,214	1,504,854		1,881,068
	\$ 4,000	\$ 2,154,668	\$ 8,763,444	\$	10,922,112

Interurban Transit Partnership

Sources and Applications of Capital Assistance

Applications					
Land and Improvements	Building	Revenue Equipment	Machinery and Equipment	Construction in Process	Total
\$ -	\$ -	\$ 2,018,233	\$ 279,612	\$ -	\$ 2,297,845
-	267,818	1,535,109	167,816	-	1,970,743
674,479	44,447	864,957	414,328	-	1,998,211
103,184	-	1,129,904	128,777	-	1,361,865
-	-	1,412,380	-	-	1,412,380
1,881,068	-	-	-	-	1,881,068
\$ 2,658,731	\$ 312,265	\$ 6,960,583	\$ 990,533	\$ -	\$ 10,922,112

Interurban Transit Partnership

Calculation of State Operating Assistance

<i>Year ended September 30, 2005</i>	State Operating Assistance Urban	State Operating Assistance Non-Urban	Total
General Operating Expenses	\$ 28,800,722	\$ 128,473	\$ 28,929,195
Less Ineligible Expenses			
Depreciation expense	4,624,768	-	4,624,768
APTA and MPTA dues	3,217	-	3,217
Other	26,912	-	26,912
	4,654,897	-	4,654,897
Eligible Operating Expenses	\$ 24,145,825	\$ 128,473	\$ 24,274,298
Maximum State Operating Assistance (50/60%)	12,072,913	77,083	12,149,996
State Operating Assistance Accrual (32.43/38.43%)	\$ 7,830,491	\$ 49,372	\$ 7,879,863

<i>Federal Grantor/Program Title</i>	Federal CFDA Number	Federal Grantor Number	Grantee Number
Federal Transit Authority			
FTA Capital and Planning	20.507	MI-90-X381	320
FTA Capital Assistance	20.507	MI-90-X399	340
FTA Capital and Planning	20.507	MI-90-X430	360
FTA Capital and Planning	20.507	MI-90-X454	380
FTA Capital Assistance	20.507	MI-90-0241	535
FTA Capital Assistance	20.507	MI-90-0125	860
FTA Capital Assistance	20.507	MI-90-0138	870
FTA Capital Assistance	20.507	MI-90-0152	890
FTA Capital and Planning	20.507	MI-90-X315	910
FTA Capital and Planning	20.507	MI-90-X353	980
Total Capital and Planning Assistance - Section 5307			
FTA Capital Assistance	20.500	MI-03-0184	330
FTA Capital Assistance	20.500	MI-03-0163	825
FTA Capital Assistance	20.500	MI-03-0225	831
FTA Capital Assistance	20.500	-	846
FTA Capital Assistance	20.500	-	847
FTA Capital Assistance	20.500	MI-03-0169	951
FTA Capital Assistance	20.500	MI-03-0176	952
FTA Capital Assistance	20.500	MI-03-0201	953
FTA Capital Assistance	20.500	MI-03-0208	954
Total Capital Assistance - Section 5309			
FTA Miscellaneous JARC - Section 3037	20.516	MI-37-012	740
FTA Miscellaneous JARC - Section 3037	20.516	MI-37-016	741
FTA Miscellaneous - Section 5313(b)	20.515	MI-80-014	790
Total Miscellaneous			

*Redistributed funds received in prior year to current year grant MI-90-X430

Interurban Transit Partnership

Schedule of Expenditures of Federal Awards

Accrued (Deferred) Revenue 10/1/04	Adjustments	Receipts	Expenditures	Accrued (Deferred) Revenue 9/30/05
\$ 90,066	\$ -	\$ 2,031,996	\$ 1,896,709	\$ (45,221)
80,696	-	1,759,241	1,757,837	79,292
691,087	111,353	2,264,749	2,505,926	820,911
-	-	949,355	1,339,298	389,943
(10,206)	(10,206) *	-	-	-
(38,505)	(38,505) *	-	-	-
(15,977)	(15,977) *	-	-	-
(46,665)	(46,665) *	-	-	-
29,878	-	-	-	29,878
78,075	-	78,075	-	-
858,449	-	7,083,416	7,499,770	1,274,803
1,301	-	-	16,000	17,301
-	-	-	120,000	120,000
-	-	1,129,904	1,132,004	2,100
348,878	-	355,891	7,013	-
600	-	600	-	-
7,412	-	7,412	-	-
21,991	-	21,991	-	-
491,839	-	491,839	-	-
-	-	1,504,854	1,504,854	-
872,021	-	3,512,491	2,779,871	139,401
-	-	-	200,880	200,880
-	-	-	192	192
-	-	-	28,178	28,178
-	-	-	229,250	229,250

<i>Federal Grantor/Program Title</i>	Federal CFDA Number	Federal Grantor Number	Grantee Number
FTA Non-Urbanized Formula Grants	20.509	-	722
FTA Non-Urbanized Formula Grants	20.509	-	767
Total Non-Urbanized Formula Grants			
Total Federal Transit Authority			
U.S. Department of Health and Human Services			
Passed through ACSET/FIA:			
WorkFirst Project Zero	93.558	-	763
WorkFirst Project Zero	93.558	-	764
WorkFirst Project Zero	93.558	-	765
Total U.S. Department of Health and Human Services			
Total Federal Financial Assistance			

Interurban Transit Partnership

Schedule of Expenditures of Federal Awards

Accrued (Deferred) Revenue 10/1/04	Adjustments	Receipts	Expenditures	Accrued (Deferred) Revenue 9/30/05
\$ 20,412	\$ -	\$ 20,412	\$ -	\$ -
-	-	-	21,527	21,527
20,412	-	20,412	21,527	21,527
1,750,882	-	10,616,319	10,530,418	1,664,981
(5,103)	-	(5,103)	-	-
26,042	-	26,042	-	-
-	-	42,434	42,434	-
20,939	-	63,373	42,434	-
\$ 1,771,821	\$ -	\$ 10,679,692	\$ 10,572,852	\$ 1,664,981

<i>Program</i>	State Grantor Number	Grantee Number
Section 5307	2002-0049-Z5	320
Major Corridor Study	2002-0049-Z4	330
Section 5307	2002-0049-Z10	340
Section 5307	2002-0049-Z18	360
Section 5307	2002-0049-Z27	380
Capital Project	95-1614	515
Technical Study	96-0782	640
Rideshare	2004-0011	722
Job Access and Reverse Commute	2002-0049-Z16	740
Job Access and Reverse Commute	2002-0049-Z20	741
Project Zero	2002-0049-Z6	763
Project Zero	2002-0049-Z13	764
Project Zero	2002-0049-Z17	765
Rideshare	2005-0092	767
Specialized Services	2002-049-Z12	780
Specialized Services	2002-049-Z21	781
Pull Out Lanes	1998-0788	825
Section 5309	-	831
Transportation Center	99-0531	845
Intercity Funds - STC	2002-0049-Z9	846
Intercity Funds - STC	2002-0049-211	847
Section 5307	99-0728	910
Transportation Center	2000-0454	951
STC	2001-0522	952
Section 5309	2002-049-Z19	954

Total State Assistance

Interurban Transit Partnership

Schedule of Expenditures of State Awards

Accrued (Deferred) Revenue 10/1/04	Receipts	Expenditures	Accrued (Deferred) Revenue 9/30/05
\$ 56,396	\$ 519,054	\$ 472,787	\$ 10,129
163	2,163	2,000	-
23,400	393,791	431,406	61,015
503,588	999,741	561,779	65,626
-	-	260,695	260,695
(986)	-	-	(986)
(4,937)	-	-	(4,937)
11,988	11,988	-	-
-	115,041	200,880	85,839
-	-	192	192
(3,263)	(3,263)	-	-
16,650	16,650	-	-
-	27,130	27,130	-
-	-	12,643	12,643
108,184	108,184	-	-
-	293,931	391,905	97,974
-	-	30,000	30,000
-	-	283,001	283,001
12,420	12,420	-	-
87,220	88,973	1,753	-
150	150	-	-
(2,597)	-	-	(2,597)
1,853	1,853	-	-
5,498	5,498	-	-
-	376,214	376,214	-
\$ 815,727	\$ 2,969,518	\$ 3,052,385	\$ 898,594

Additional Information

Interurban Transit Partnership

Demand Response Operating Statement (Unaudited)

<i>Year ended September 30,</i>	2005	2004
Revenues		
Passenger fares	\$ 491,062	\$ 572,362
Federal, state and local operating assistance	4,584,960	4,475,749
Recovery of capital costs of contracting and ADA related	225,000	225,000
Specialized service assistance	391,905	429,974
Total revenues	5,692,927	5,703,085
Expenses		
Administration	407,842	329,538
Purchased service:		
Go! Bus	2,792,851	2,730,405
CMH	1,858,420	1,947,506
SHP	3,668	13,255
GAP	-	7,720
Project Zero (Goodwill Industries)	13,241	19,687
Capital cost of contracting and ADA related	225,000	225,000
Specialized service cost	391,905	429,974
Total expenses	5,692,927	5,703,085
Excess of Revenues Over Expenses	\$ -	\$ -

**Report on Internal Control Over
Financial Reporting and on Compliance
and Other Matters Based on an
Audit of Financial Statements
Performed in Accordance With
*Government Auditing Standards***



Independent Auditors' Report

Members of the Board
Interurban Transit Partnership
Grand Rapids, Michigan

We have audited the financial statements of Interurban Transit Partnership as of and for the year ended September 30, 2005, and have issued our report thereon dated December 7, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Interurban Transit Partnership's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Interurban Transit Partnership's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board, management, federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

BDO Seidman, LLP

Grand Rapids, Michigan
December 7, 2005

**Report on Compliance With
Requirements Applicable to Each
Major Program and Internal Control
Over Compliance in Accordance
With OMB Circular A-133**



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Independent Auditors' Report

Members of the Board
Interurban Transit Partnership
Grand Rapids, Michigan

Compliance

We have audited the compliance of Interurban Transit Partnership with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2005. Interurban Transit Partnership's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal programs is the responsibility of Interurban Transit Partnership's management. Our responsibility is to express an opinion on Interurban Transit Partnership's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Interurban Transit Partnership's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Interurban Transit Partnership's compliance with those requirements.

In our opinion, Interurban Transit Partnership complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005.

Internal Control Over Compliance

The management of Interurban Transit Partnership is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Interurban Transit Partnership's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board, management, federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

BDO Seidman, LLP

Grand Rapids, Michigan
December 7, 2005

Interurban Transit Partnership

Schedule of Findings and Questioned Costs Year Ended September 30, 2005

Summary of Auditors' Results

The auditors' report expresses an unqualified opinion on the financial statements of Interurban Transit Partnership.

The audit did not disclose any noncompliance which is material to the financial statements of Interurban Transit Partnership.

The auditors' report on compliance for major programs of Interurban Transit Partnership expresses an unqualified opinion.

The audit did not disclose any findings relative to major programs that are required to be reported herein in accordance with OMB Circular A-133.

The Authority had one major program: Transit Capital Grants Cluster, which consists of federal transit capital improvement grants and capital and operating assistance formula grants.

The dollar threshold used to distinguish between Type A and Type B programs was \$317,185.

Interurban Transit Partnership qualified as a low-risk auditee.

Findings Related to the Financial Statements

There were no findings which are required to be reported under *Government Auditing Standards*.

Findings and Questioned Costs for Federal Awards

There were no findings or questioned costs.